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Message Text

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ORIGIN EUR-12

INFO OCT-01 EA-10 NEA-10 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 IO-13 NSAE-00 ICA-11
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 NSC-05 STR-07 L-03 H-01 /126 R

DRAFTED BY EUR/SE:EJMARCOTT:VSS
APPROVED BY EUR:REBARBOUR
EUR/SE:RCEWING
E:JWILSON
EB:TFORBORD
C:RFHOPPER
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P R 011725Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY ANKARA PRIORITY
AMEMBASSY PARIS PRIORITY
INFO AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY BERN
AMEMBASSY TOKYO
AMEMBASSY KUWAIT
AMEMBASSY JIDDA
AMCONSUL ISTANBUL

C O N F I D E N T I A L STATE 110268

PASS OECD

E.O. 11652: GDS

TAGS: EFIN, EAID, OECD, TU

SUBJECT: TURKISH POSITION ON OECD CONSORTIUM
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REF: (A) STATE 100179, (B) PARIS 11917, (C) ANKARA 2470,

1. TURKISH AMBASSADOR ESENBEL CALLED AT HIS REQUEST ON UNDER SECRETARY COOPER APR 25 TO PRESENT GOT VIEWS ON OECD CONSORTIUM AND TO REQUEST CLARIFICATION OF USG POSITION. OTHERS PRESENT WERE DEPUTY ASSISTANT SECRETARY (EB) CHARLES MEISSNER, JOHN WILSON (E), AND EDWARD MARCOTT (EUR/SE).

2. ESENBEL PRESENTED AT SOME LENGTH THE TURKISH POSITION

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AS FOLLOWS, PARA 2-4. THE IMF BOARD HAS APPROVED (APR 24) THE STANDBY AGREEMENT WITH TURKEY. THE TURKISH STABILIZATION PROGRAM CONTAINS TOUGH MEASURES AND A STRONG PUBLIC REACTION CAN BE EXPECTED. THE AUSTERITY MEASURES WILL HAVE AN ADVERSE IMPACT ON THE ECONOMY AND ON PUBLIC ATTITUDES TOWARD THE GOVERNMENT UNLESS OUTSIDE FINANCIAL SUPPORT IS FORTHCOMING. GOT FEELS THAT FINANCIAL SUPPORT HAS ALREADY BEEN UNDULY DELAYED, PARTICULARLY IN COMPARISON WITH 20 YEARS AGO, WHEN PROMPT USG COMMITMENT TO PROGRAM OF LONG TERM SUPPORT ENABLED GOT TO EMBARK ON DEBT CONSOLIDATION PROGRAM. USG COMMITMENT, ACCORDING TO

ESENBEL, EVENTUALLY LED TO ESTABLISHMENT OF OECD CONSORTIUM IN 1962.

3. THE GOT-IMF AGREEMENT IS IN PLACE. GOT-IBRD RELATIONS ARE ON TRACK AFTER RECENT DISCUSSIONS, INCLUDING PROMISE BY IBRD PRESIDENT MCNAMARA TO DOUBLE ANNUAL PROJECT LOAN COMMITMENTS AND TO PROVIDE DOLS 100 MILLION PROGRAM LOAN TO FINANCE IMPORTS OF RAW MATERIALS AND SPARE PARTS FOR INDUSTRY. (IBRD VIEW SOMEWHAT DIFFERENT - SEPTEL.) IN RECENT ANKARA MEETINGS, COMMERCIAL BANKS WERE SYMPATHETIC
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ABOUT RESCHEDULING SHORT-TERM DEBT AND AGREED IN PRINCIPLE TO PROVIDE "FRESH MONEY" IN 1978. THE BANKS ARE NOW CHECKING WITH THEIR HEAD OFFICES, BUT A FAVORABLE RESPONSE IS EXPECTED "WITHIN 10 DAYS (OF THE END OF THE MEETINGS ON APR 15)".

4. REMAINING ELEMENT, OF GREAT IMPORTANCE TO GOT, IS ROLE OF OECD CONSORTIUM. GOT WANTS THE CONSORTIUM REVITALIZED, AS GOT IS ACCUSTOMED TO IT, AND IT HAS HELPED TURKEY'S ECONOMIC DEVELOPMENT. WHEN THE CONSORTIUM REPRESENTATIVES CAME TO ANKARA RECENTLY, GOT ASKED THAT CONSORTIUM (A) RESCHEDULE SHORT TERM DEBT, (B) RESCHEDULE LONG TERM DEBT AND (C) ARRANGE FOR OFFICIAL EXPORT CREDIT GUARANTEE INSTITUTIONS TO REOPEN THEIR LINES OF CREDIT TO TURKEY AND SOFTEN THE TERMS, PARTICULARLY REPAYMENT PERIODS.

5. ESENBEL THEN SAID GOT HAD HEARD THAT IN INFORMAL MEETING IN PARIS (APR 10 MEETING), USG DELEGATION WAS RIGID ABOUT CONSORTIUM PROGRAM, INSISTING THERE BE ONLY ONE YEAR RESCHEDULING, THERE BE NO PLEDGING, THAT CONSORTIUM MONITOR TURKISH ECONOMY, AND THAT ANY RESCHEDULING AND PROVISION OF NEW MONEY BE CONDUCTED OUTSIDE OECD CONSORTIUM THROUGH A DIFFERENT INSTITUTION, THE PARIS CLUB (AS PRESENTED).

6. ESENBEL SAID GOT IS DISAPPOINTED IF THIS IS USG VIEW. GOT WANTED USG TO TAKE THE LEAD, NOT IN PROVIDING ASSIS-

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TANCE BUT IN EXPRESSING SUPPORT WITHIN OECD MECHANISM. THE GOT WOULD NOT ACCEPT A NEW INSTITUTION EXERCIZING CONTROL OVER THE TURKISH ECONOMY, PARTICULARLY SINCE THE IMF WOULD MONITOR THE ECONOMY, AND THE IBRD WOULD ALSO BE CLOSELY INVOLVED (SEE PARA 15). REORGANIZATION OF THE CONSORTIUM WOULD BE ACCEPTABLE TO GOT, PROVIDED NO NON-OECD STATES WERE INCLUDED AND THE PROCESS WERE NOT DELAYED.

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7. COOPER STATED THE USG IS PLEASED THAT THE IMF AGREEMENT HAS BEEN SIGNED AND APPROVED, AND BELIEVES THAT

TURKEY'S ECONOMIC MEASURES WILL IMPRESS THE INTERNATIONAL FINANCIAL COMMUNITY. HE SAID WE CONSIDER THE OECD CONSORTIUM A USEFUL FORUM WITH A PROVEN TRACK RECORD, BUT THAT THERE HAVE BEEN CHANGES OVER TWENTY YEARS, IN THE WORLD, IN THE ROLE OF THE IMF, IN USG POLICY, AND IN TURKEY. TURKEY HAS MADE GREAT STRIDES IN ITS FUNDAMENTAL ECONOMIC CONDITION, ITS CURRENT FINANCIAL PROBLEMS NOTWITHSTANDING. THE US VIEW IS THAT THE OECD CONSORTIUM HAS TO BE ADAPTED TO CURRENT CIRCUMSTANCES. ITS MEMBERSHIP SHOULD BE WIDENED EVENTUALLY, ALTHOUGH THIS IS NOT NECESSARY TO DEAL WITH THE IMMEDIATE PROBLEMS, INCLUDING DEBT.

8. COOPER STATED THAT THE USG DID NOT INTEND THE OECD CONSORTIUM TO PLAY AN IMF-LIKE ROLE IN THE TURKISH ECONOMY. OUR VIEW OF THE OECD MONITORING ROLE IS SIMILAR TO THE ROLE THE CONSORTIUM HAS PLAYED IN THE PAST, THAT IS PROVIDING A FORUM TO REVIEW AND DISCUSS ECONOMIC PROBLEMS AND PROGRESS. SINCE EACH STATE HAS DIFFERENT POLICIES, A FORUM FOR COORDINATION IS USEFUL. THERE IS NO CHANCE THAT THE CONSORTIUM COULD BE A MAJOR SOURCE OF CONCESSIONAL AID. USG AID PROGRAMS NOW ARE AIMED AT THE LEAST DEVELOPED STATES, AND ARE TARGETED TO SPECIFIC PROBLEMS OF LESS CONCERN IN TURKEY. HOWEVER, ASSUMING CONGRESSIONAL APPROVAL, USG WOULD BE ABLE TO PROVIDE DOLS 50 MILLION IN SECURITY SUPPORTING ASSISTANCE.

9. RESCHEDULING OF PRIVATE DEBT MUST BE DONE OUTSIDE OF THE CONSORTIUM. IT SHOULD PROCEED AT THE SAME TIME AS OECD CONSORTIUM DISCUSSIONS, PARTICULARLY IN VIEW OF THE NEED FOR COMPARABILITY OF THE TERMS OF AN OFFICIAL RE-
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SCHEDULING WITH THE TERMS OF A PRIVATE DEBT REFINANCING. THE US IS NOT CATEGORIZING DEBT ACCORDING TO THE LENGTH OF MATURITY, BUT IS FOCUSING ON THE PAYMENTS DUE WITHIN A SPECIFIC TIME PERIOD. THUS, WE ARE THINKING OF A RESCHEDULING OF DEBT PAYMENTS DUE IN 1978 OR 1978 AND 1979,

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WITH A SUBSEQUENT REVIEW OF THE SITUATION IN ORDER TO TAKE FURTHER ACTION AS THE EVOLVING SITUATION WARRANTS. WE BELIEVE OTHER CREDITORS AS WELL WILL FAVOR THIS APPROACH WHICH COVERS GOT'S FIRST TWO POINTS (PARA 4). USG CANNOT BE RESPONSIVE ON THIRD POINT. EXIM CANNOT PROVIDE CONCESSIONARY TERMS. ALSO THERE IS AN AGREEMENT TO PREVENT CREDIT "WARS" AMONG OFFICIAL EXPORT CREDIT AGENCIES, SO OTHERS' ABILITY TO PROVIDE SPECIAL TERMS IS ALSO LIMITED.

10. THE FORMAT OF A DEBT RESCHEDULING IS STILL UNDETERMINED. SENTIMENT EXISTS FOR CREDITOR CLUB, BUT GOT VIEWS ARE KNOWN, AND A PROCEDURE SATISFACTORY TO GOT WHICH WILL

NOT BE UNACCEPTABLE PRECEDENT TO US WILL BE SOUGHT AT APR 28 MEETING.

11. DEPUTY ASSISTANT SECRETARY MEISSNER INFORMED ESENBEL THAT APR 10 MEETING HAD INCLUDED EXCHANGE OF VIEWS, SO THAT VARIOUS PARTICIPANTS COULD ADVISE THEIR CAPITALS AND REASSESS POSITIONS FOR APR 28 MEETING. GOT PROBABLY HEARD PARTIAL EXPOSITION OF US THINKING. WE ARE SEEKING A CONSENSUS OF VIEWS TO MOVE RAPIDLY ON DEBT RESCHEDULING, HOPEFULLY IN MAY. AFTER THAT, HOWEVER, WE SEE CONSORTIUM ROLE IN LONG TERM PERSPECTIVE. SINCE MONEY MUST COME LARGELY FROM PRIVATE SOURCES, PSYCHOLOGICAL IMPACT OF GOVERNMENTS' WORKING TOGETHER IN SUPPORT OF TURKISH EFFORTS IS IMPORTANT. IF WE ARE TO ASSURE FAVORABLE IMPACT, A CAREFULLY PLANNED MEETING IS NEEDED. WE ENVISION ANOTHER MEETING IN THE AUTUMN WHERE VARIOUS PARTICIPANTS COULD MAKE COMMITMENTS IN ACCORDANCE WITH THEIR OWN POLICIES, CONFIDENTIAL

PREFERABLY IN RESPONSE TO A GOT PRESENTATION INCLUDING PROPOSED PROJECTS CAREFULLY DESIGNED TO ADDRESS LONG TERM STRUCTURAL NEEDS OF TURKISH ECONOMY. THIS MEETING, OR ANY PROGRAM OF OUTSIDE SUPPORT, COULD INCLUDE INTERESTED NON-OECD STATES, OR EVEN COMMERCIAL BANKS, IN OUR VIEW.

12. ESENBEL ASKED CLARIFICATION OF US VIEWS ON SEVERAL POINTS. GOT RECOGNIZES THAT CONSORTIUM WOULD BE ADAPTED TO CURRENT CONDITIONS BUT WANTS WHATEVER HELP IS FORTHCOMING TO BE CHANNELED THROUGH CONSORTIUM. IF ANY STATE WISHED TO PLEDGE, IT SHOULD BE ABLE TO DO SO IN CONSORTIUM CONTEXT. THIS WAY GOT COULD GET SOME IDEA OF WHAT ASSISTANCE WOULD BE FORTHCOMING, AS IN THE PAST. ALSO, ESENBEL RESTATED GOT OPPOSITION TO ANY "CONTROL" FUNCTION IN OECD CONSORTIUM.

13. COOPER STATED FLATLY USG DID NOT INTEND ANY "CONTROL" ROLE FOR CONSORTIUM. THAT WAS BETWEEN TURKEY AND THE IMF. MEISSNER SAID PSYCHOLOGICAL IMPACT OF CONSORTIUM ACTIVI-

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TIES WOULD BE AFFECTED BY PROGRESS IN IMPLEMENTING TURKEY-IMF AGREEMENT. ON PLEDGING, MEISSNER SAID USG HAS NO OBJECTION TO PLEDGING OR TO MEMBERS PROVIDING AID THROUGH CONSORTIUM MECHANISM,-BUT WARNED THAT GOT SHOULD NOT EXPECT A TRADVTIONAL PLEDGING SESSION WHEREIN GOT NEEDS WOULD BE DEFINED, AND MEMBERS WOULD PLEDGE TO MEET THE NEED. USG CANNOT ACCEPT SUCH A QUOTA OR TARGET SYSTEM. COOPER REITERATED THAT THE PAST ROLE OF CONSORTIUM SHOULD NOT BE CONFUSED WITH THE PRESENT AND FUTURE POSSIBILITIES. HE DID AGREE THAT IT IS PROBABLY THE BEST AVAILABLE VEHICLE, IF ADAPTED TO CURRENT CIRCUMSTANCES, AND PREFERABLE TO CREATING A NEW MECHANISM.

14. ESENBEL HAD MADE IDENTICAL POINTS AT THE END OF AN CONFIDENTIAL

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APR 24 CALL ON DEPT COUNSELOR NIMETZ (SEPTEL). NIMETZ BRIEFLY PRESENTED US VIEWS, AS ABOVE, AND EXPRESSED USG PLEASURE AT COMPLETION OF IMF AGREEMENT AND PROGRESS IN TALKS WITH PRIVATE BANKS.

15. COMMENT: QUESTION OF "CONTROL" OR "MONITORING" OF TURKISH ECONOMY AND ADHERENCE TO IMF AGREEMENT, OF INTEREST TO COMMERCIAL BANKS AS WELL AS TO GOVERNMENTS, MAY BECOME MORE CRITICAL ELEMENT AS CONSORTIUM EXERCISE DEVELOPS. DEPTOFF LEARNED FROM LEADER OF IMF TEAM WHICH NEGOTIATED WITH TURKEY THAT EVEN BEFORE APR 24, IMF HAD BEGUN TO SEE PROBLEMS IN IMPLEMENTATION OF AGREEMENT. EXAMPLES GIVEN WERE STRONG MONETARY EXPANSION IN MARCH, AND DELAYS IN IMPLEMENTING PUBLIC SECTOR MEASURES. ALSO GOT IS RELUCTANT TO ALLOW IMF STAFF TO VISIT ANKARA ON REGULAR BASIS FOR DISCUSSIONS ON SITUATION PRIOR TO NOVEMBER (GOT IS COMMITTED TO REVIEW WITH IMF IN EARLY JANUARY 1979). IMF IS EMPHASIZING NEED FOR CONTINUING CLOSE FUND-GOT COOPERATION AND REGULAR REVIEWING BY FUND STAFF OF ECONOMIC PROGRESS. END COMMENT. VANCE

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INFO RUFLEPA/AMCONSUL ADANA 0000

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AMCONSUL IZMIR

C O N F I D E N T I A L STATE 110268

FOLLOWING REPEAT STATE 110268 SENT ACTION ANKARA PARIS
ATHENS BONN LONDON OTTAWA BERN TOKYO KUWAIT JIDDA ISTANBUL
MAY 01.
QUOTE C O N F I D E N T I A L STATE 110268

PASS OECD

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TO BE ADAPTED TO CURRENT CIRCUMSTANCES. ITS MEMBERSHIP SHOULD BE WIDENED EVENTUALLY, ALTHOUGH THIS IS NOT NECESSARY TO DEAL WITH THE IMMEDIATE PROBLEMS, INCLUDING DEBT.

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HOPEFULLY IN MAY. AFTER THAT, HOWEVER, WE SEE CONSORTIUM ROLE IN LONG TERM PERSPECTIVE. SINCE MONEY MUST COME LARGELY FROM PRIVATE SOURCES, PSYCHOLOGICAL IMPACT OF GOVERNMENTS' WORKING TOGETHER IN SUPPORT OF TURKISH EFFORTS IS IMPORTANT. IF WE ARE TO ASSURE FAVORABLE IMPACT, A CAREFULLY PLANNED MEETING IS NEEDED. WE ENVISION ANOTHER MEETING IN THE AUTUMN WHERE VARIOUS PARTICIPANTS COULD MAKE COMMITMENTS IN ACCORDANCE WITH THEIR OWN POLICIES, PREFERABLY IN RESPONSE TO A GOT PRESENTATION INCLUDING PROPOSED PROJECTS CAREFULLY DESIGNED TO ADDRESS LONG TERM STRUCTURAL NEEDS OF TURKISH ECONOMY. THIS MEETING, OR ANY PROGRAM OF OUTSIDE SUPPORT, COULD INCLUDE INTERESTED NON-OECD STATES, OR EVEN COMMERCIAL BANKS, IN OUR VIEW.

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DEVELOPS. DEPTOFF LEARNED FROM LEADER OF IMF TEAM WHICH
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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 sep 1999
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Current Classification: UNCLASSIFIED
Concepts: CONSORTIUMS, MEETINGS, DIPLOMATIC DISCUSSIONS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 01 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE110268
Document Source: ADS
Document Unique ID: 00
Drafter: EUR/SE:EJMARCOTT:VSS
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Expiration:
Film Number: D780185-0908
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197805112/baaaeyno.tel
Line Count: 506
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: 5b763895-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: (A) STATE 100179, (B) PARIS 11917, (C) ANKARA 2470,
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2539254
Secure: OPEN
Status: NATIVE
Subject: TURKISH POSITION ON OECD CONSORTIUM
TAGS: EFIN, EAID, TU, US, OECD
To: ANKARA PARIS MULTIPLE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/5b763895-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014